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THE *Demand and Price* SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

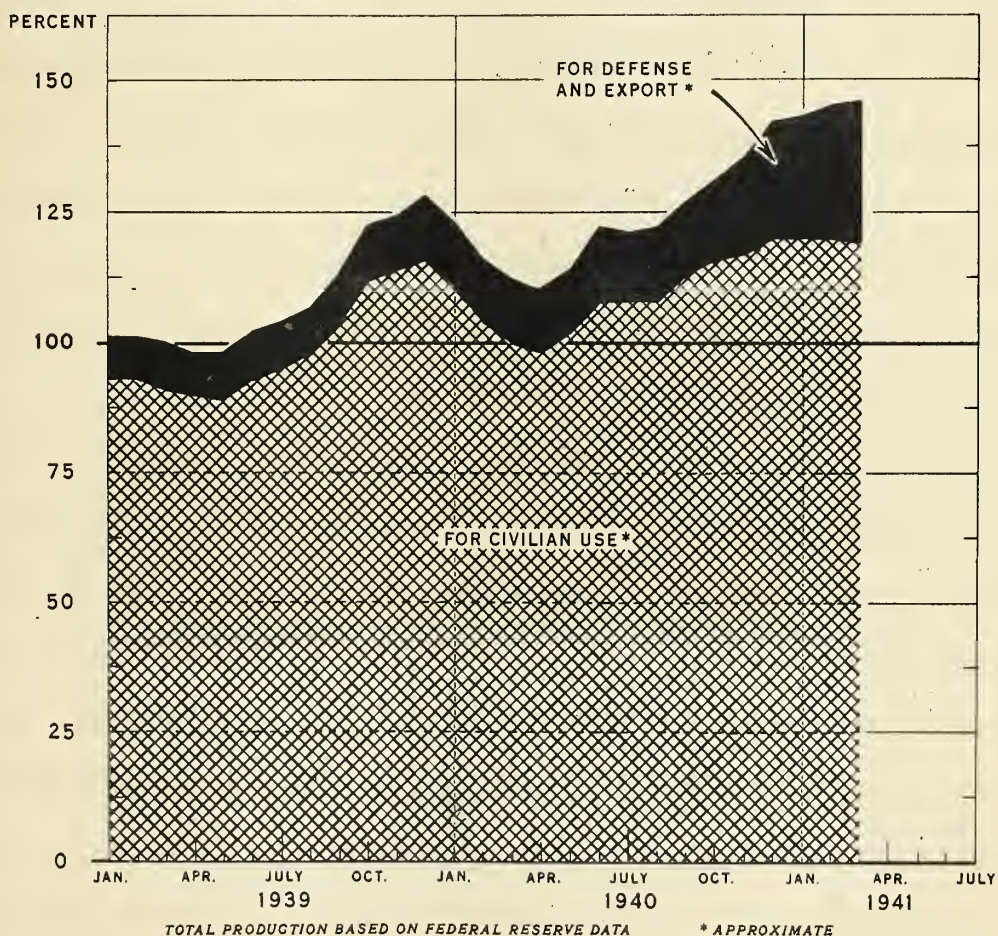
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MAY 1941

FACTORY PRODUCTION IN THE UNITED STATES, 1939-41

INDEX NUMBERS (1935-39 = 100) ADJUSTED FOR SEASONAL VARIATION



U. S. DEPARTMENT OF AGRICULTURE

NEG. 39160 BUREAU OF AGRICULTURAL ECONOMICS

PRODUCTS FOR DEFENSE AND EXPORT HAVE REPRESENTED AN INCREASING PROPORTION OF TOTAL OUTPUT OF MANUFACTURES IN THE UNITED STATES SINCE THE BEGINNING OF THE WAR IN EUROPE, BUT THE REMAINDER AVAILABLE FOR DOMESTIC CIVILIAN CONSUMPTION ALSO INCREASED UNTIL THE END OF 1940. IN THE FIRST QUARTER OF 1941 THE LATTER HAS REMAINED ABOUT STATIONARY. THESE ESTIMATES REPRESENT ONLY ROUGH APPROXIMATIONS, BUT GIVE SOME INDICATION OF THE GROWING IMPORTANCE OF DEFENSE ACTIVITY IN THE TOTAL VOLUME OF FACTORY PRODUCTION. ADDITIONAL INCREASES IN MANUFACTURING OUTPUT PROBABLY WILL REPRESENT MOSTLY PRODUCTION FOR DEFENSE AND WAR MATERIALS FOR EXPORT.

SUMMARY

The demand for farm products continues to respond to the improvement in general economic conditions and consumer purchasing power which has accompanied progress of the defense program. Industrial production, recovering quickly from the temporary relapse brought on by industrial strikes in April, may reach a new high level this month. Gradual improvement in employment, pay rolls, and consumer demand for farm products should continue through the last half of the year.

The trend of agricultural exports, which was sharply downward during 1940, apparently is being reversed in 1941, although a return to pre-war volume is not in prospect. Government purchases under the food-for-defense program, some of which are for possible export to Great Britain, have reached considerable proportions, and will be an important price-affecting factor in the markets for some commodities.

It is becoming increasingly evident that export and defense requirements for industrial products will soon be sufficient to prevent much if any further increase in the volume of goods available for civilian use. The adjustments necessary to make way for the growing defense needs will weigh most heavily on durable consumer goods such as automobiles. Consumer buying power available for food, clothing, and other nondurable items thus may be increased. Increases in taxes eventually will restrict the purchasing power of consumers but this is not likely to have much effect during the remainder of 1941. In the meantime, widespread increases in wage rates, longer working time, and increasing employment will result in further gains in consumer buying power.

Wholesale prices have increased during the past month, this being the third consecutive month of gains. Part of the recent general rise in

prices is attributable to present and possible future Government price-supporting measures for farm products, but price controls exercised over a number of industrial basic commodities have had a tendency to hold the general advance in check. Prospective changes in supply and demand relationships are favorable to a continuation of the upward trend of the general level of prices. The amount of increase will continue to depend in considerable measure upon the extent and character of Government controls, which thus far undoubtedly have been a major factor in preventing a much greater rise in prices of industrial commodities than has actually occurred.

Prices received by farmers rose 7 points in April to 110 percent of the 1910-14 average. This rise in prices was largely responsible for a substantial increase in cash income from sales compared with income both in March and in April of 1940. Government payments to farmers in April were smaller than those a year earlier. Income from farm marketings should increase further this month as the effect of lower prices for meat animals is expected to only partially offset the effects of an increase in farm marketings and gains in prices of dairy products, grains, cotton, and other crops.

--- May 16, 1941

The situation by commodities is as follows:

- Wheat: Domestic wheat prices recently reached the highest levels in a year. The advance was associated with speculative anticipation of a higher loan rate for the 1941 crop.
- Cotton: There is apparently little reason to anticipate any substantial improvement in the export outlet for American cotton during the remainder of this season. Consumption in most foreign countries is low and the competitive position of American cotton has been further weakened by the recent advance in prices to the highest level since July 1937. Domestic consumption totaled 920,000 bales in April, making the total for the first 9 months of the current season slightly under 7 million bales, a gain of more than 1 million bales over the same period

a year earlier. After lagging behind production for 5 weeks, textile sales have again been above production since late April. This increases further the backlog of unfilled orders which was already adequate to insure a high level of mill activity well into next season. Wholesale cloth prices have continued to advance, and manufacturers' gross margins widened to 19.81 cents in April from 18.17 cents in March and 11.23 cents last August.

- Feed grains:** Corn prices advanced during early May to the highest weekly average since October 1937. About 15 million bushels of corn were sold by the Commodity Credit Corporation during April, but little corn was placed under seal or redeemed by farmers.
- Hogs:** Slaughter supplies of hogs during the remainder of the 1940-41 marketing year (through September) probably will total around 12-15 percent less than a year earlier. Hog prices weakened a little following the sharp advance in early April, but they strengthened again in early May. Purchases of pork and lard by the Department of Agriculture since early April (through May 10) totaled 173 million pounds and appear to have been an important factor supporting hog prices.
- Beef cattle:** Slaughter of cattle and calves in 1941 is expected to total around 5 percent greater than in 1940, with much of the increase in marketings of grain-fed cattle. In the first 4 months of 1940 inspected cattle slaughter was 4 percent larger than a year earlier. Prices of the upper grades of slaughter cattle have followed a marked downward trend since mid-January, but prices of the lower grades have held about steady. Prices of feeder cattle are now high relative to prices of fat cattle.
- Lambs:** Marketings of early lambs and grass-fat yearlings are expected to be quite large during May and June. Despite considerable wet weather, which had delayed marketings, this spring has been exceptionally favorable for the early lamb crop. Prices of both old and new crop lambs were moderately higher than a year earlier in early May. Inspected slaughter of sheep and lambs during the 1940-41 marketing year (May-April) totaled 2-1/2 percent greater than in 1939-40.
- Wool:** Farmers now marketing their 1941 wool clips are receiving higher prices, generally, than at any time since the early months of 1929. The large use of wools in Army fabrics and increased demand for wool for civilian purposes are important factors in the increase in prices of domestic wool. The carry-over of domestic and foreign wool in the United States on April 1 this year was somewhat larger than in most recent years, but it was not large in relation to the current record level of mill consumption.

- Dairy products: Production of dairy products continues at record high levels. However, because of improved demand, prices have been rising.
- Poultry and eggs: The demand for baby chicks has increased as a result of the higher prices received by producers for eggs. Total egg production is about the same now as a year ago. For the last half of this year, however, supplies of both chickens and eggs are expected to be larger than a year earlier. Even so, chicken and egg prices are expected to continue above those of a year earlier because of the much stronger demand.
- Fats, oils, and oilseeds: Strengthening factors in the price situation for fats and oils this year are increases in incomes of consumers, the high level of building activity, and the probability that imports of vegetable oilseeds and oils during the remainder of the year will be smaller than a year earlier, chiefly because of shipping difficulties. Prices of fats and oils, which have advanced sharply in recent months, averaged 24 percent higher in April this year than last. Prices in April were slightly higher than the 1910-14 average, but were still considerably below the 1924-29 level.
- Fruits: Production of early and second early and intermediate strawberries is estimated to be considerably larger than in 1940. Despite increased consumer income, prices recently have been much lower than they were a year earlier.
- Production of peaches in the 10 early Southern States is estimated to total 22.0 million bushels compared with 13.9 million last year. If this production materializes it will be the largest since 1931. The peach crop in California, a large portion of which is usually used for canning and drying, is likely to be 10-12 percent smaller than last year's average crop.
- Potatoes: Market supplies of new potatoes probably will increase substantially during May and June, but prices may decline no more than the usual seasonal amount.
- Truck crops: Production of spring truck crops indicates that market supplies during May probably will continue smaller than in May last year, and the seasonal decline in prices may be smaller than usual.

DOMESTIC DEMAND

Domestic demand for farm products has continued to show gradual but definite improvement, as evidenced by substantial increases in the general level of farm prices with relatively little change in total production. A part of this increase has reflected speculative anticipation

of higher Government loan rates on 1941 crops and Government purchases under the food-for-defense program (see discussion of export demand). It is evident, however, that the continued gains in national income are having a beneficial effect upon the consumer demand for meats, dairy and poultry products, fruit and truck crops.

Industrial activity in April and early May was adversely affected by widespread industrial strikes, which in April are estimated to have resulted in the largest loss of work for any month from 1927 to date. The Federal Reserve index of industrial production declined .4 or 5 points, the first relapse in a year, amounting to about one-eighth of the total rise since April 1940. With the more important strikes now settled, productive activity already is making a strong come-back, and may set a new record this month unless a new wave of strikes occurs.

Industrial production is expected to show further increases in the remainder of 1941. Much or all of this increase in output, however, is expected to be in defense goods, and the production of civilian goods may not change much from now on. There is already some evidence that this condition has been reached, as indicated by the chart on the cover page. In March 1941 the requirements for defense and exports are estimated to have accounted for about 19 percent of total factory output compared with 11 percent a year earlier. Output of goods for domestic civilian needs was about 19 percent larger in March of this year than a year earlier, but after allowance for seasonal variations, apparently there has been no appreciable increase in the aggregate amount of goods produced for civilian needs since the turn of the year.

With the prospective acceleration of the defense program it is entirely possible that production for civilian use will have to be curtailed, perhaps substantially, by 1942. Already the automobile industry has been asked to reduce output of 1942 models to approximately 80 percent of the number scheduled for the current model year. This would still leave automobile production at a rate which in the past has been exceeded only in the most prosperous years, but further and more drastic restrictions for durable consumers' goods may be necessary.

If defense needs should necessitate a reduction in the output of durable consumer goods a larger part of the enhanced consumer buying power would be available for food, clothing, and other nondurable items, particularly if prices of industrial products generally are held down by Government controls (see discussion of wholesale prices). Together with the increased demand for food products under the food-for-defense program and possible higher Government loan rates, this may result in raising the indexes of farm and food product prices and of cash farm income more nearly to their pre-depression relationships to the indexes of nonagricultural prices and incomes, or at least prevent a further relative decline.

Prospective tax increases will materially limit the rise in consumer buying power brought about by the increase in industrial activity and national income, but will not be sufficiently great to prevent an increase in purchasing power during the remainder of 1941. It has been roughly estimated that of the total increase in taxes now being considered, probably not more

than one-third would become effective immediately. The increase in income taxes probably will not greatly affect consumer buying of nondurable goods in 1941. Even allowing for sharply increased purchases of defense bonds by the public, the dollar purchasing power left available for consumer expenditures will be larger in the last half of 1941 than in the corresponding period of last year, and probably of any previous year. Thus, the outlook is for strong consumer demand and relatively favorable markets for farm products.

EXPORT DEMAND

Since March 15 the Department of Agriculture has made substantial purchases of food under the food-for-defense program. The foods purchased have been of the types needed by Great Britain, but the purchases may also be used for relief distribution, may be made available to the Red Cross, or may be resold on domestic markets.

Food products purchased in large quantities since March 15 under this buying program, part of which are for export, include 104 million pounds of lard, 107 million pounds of pork products, 55 million pounds of dried beans, 664,000 cases of eggs (shell), over 16 million pounds of cheese, 1.3 million cases of evaporated milk, and 619,000 cases of tomatoes.

The volume of agricultural exports in January was the smallest, after allowance for seasonal factors, for any month for which indexes are available back to July 1914, and smaller than the average monthly exports during any year since 1867. There was some increase in the volume of exports in February and again in March, but for the first quarter exports were less than one-fourth as large as those a year earlier, before the German invasion of the Low Countries closed continental European markets.

The bottom in agricultural exports apparently has been passed, and during 1941 purchases for export will help to support prices of several farm products, particularly meats, dairy and poultry products.

WHOLESALE PRICES

With only minor temporary relapses, wholesale prices have been advancing for the past 3 months. During this time the various Bureau of Labor Statistics indexes all have reached new high levels for the period since the outbreak of war in Europe. A considerable part of the general advance is attributable to recently inaugurated Government price-supporting measures designed to encourage increased production of selected agricultural products and to the possibility of higher Government loans on 1941 crops. On the other hand, rises in prices of some industrial commodities which otherwise would have occurred have been prevented by Government action. Aside from the effect of any Government price-affecting measures, however, present and prospective supply and demand relationships are favorable to a continuation of the upward trend in commodity prices.

Although industrial output for months has not been large enough to prevent a large accumulation of unfilled orders, it apparently was adequate up to the end of last year to supply a growing volume of goods for civilian

use as well as for defense. In fact, there is yet no clear evidence that there will not be a further increase in production of goods for domestic consumers. It does appear, however, that there has been little change in the volume of output of such products for several months (see chart on cover page). Continuation of this trend, in view of prospective increases in consumer buying power, would offer a powerful stimulus to the general price structure.

There are additional factors which are exerting considerable pressure on prices. For instance, industrial wage rates are advancing and lengthening hours are resulting in larger overtime payments. In March general wage increases averaging approximately 7 percent covered nearly 2 percent of the workers in all manufacturing establishments included in Bureau of Labor Statistics reports. Industrial wage increases probably were even greater in April when there were general wage advances in steel, bituminous coal, meat packing, and smaller industries. Wage increases tend towards higher commodity prices by adding to cost of production and by resulting in an immediate increase in the income of the workers affected.

Large advances in prices of imported commodities which have occurred recently are associated with growing ocean shipping difficulties and increasing ocean freight rates. The effects of these factors are not likely to be any less, and may be more pronounced, as the intensity of the sea blockade is increased or the area of hostilities is widened.

The institution of inventory controls by the Office of Production Management in regard to some products important to defense may restrict somewhat, by modifying competitive bidding for goods, the influence on commodity prices of attempts on the part of business to build up stocks. The further application of priorities, a form of rationing of supplies, likewise tends to hold down price increases which otherwise would occur as consumers compete for the available quantities. As the pressure of increasing demand against available supplies increases, the extent of the accompanying general price increases will depend in large measure upon the extent and degree of application of these controls. Without those already in effect there is no doubt that the price level would have been much higher by now than it actually is. Advances in prices of commodities not so readily subject to control will be difficult or impossible to prevent, but the extent of the general upswing will continue to be greatly influenced by the character of control measures undertaken by the Government.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers apparently advanced further in May. From March to April the general index of prices received rose 7 points, with all principal groups contributing to the gain. The April index, at 110 percent of the 1910-14 average, was 12 points higher than a year earlier and the highest since October 1937.

Preliminary indications, based on price movement in central markets, are that there was a further advance in prices of all the principal groups of farm products in May, except meat animals and possibly poultry. The estimated decline in meat-animal prices was due to a recession in prices of beef cattle. Wheat and cotton prices continued to advance, largely because of trade expectations that loan rates would be increased.

The general advance in prices received by farmers has the support of a rising trend of consumer income, but the immediate rise has perhaps been aided even more by Government price-supporting measures and by food purchases under the food-for-defense program. There also appears to have been a considerable increase in speculative activity in some agricultural commodities.

Prices paid by farmers have risen but slightly during the past year. Nevertheless in April prices paid were 124 percent of the 1910-14 average compared with 110 percent for prices received. Farm wage rates in April 1941 were 11 percent higher than in April 1940, reflecting the competition of industry for available workers.

FARM INCOME

Cash income from farm marketings increased more than usual from March to April largely because of the advance in prices of most farm products and increased marketings of meat animals, dairy and poultry products. Sales of meat animals in April increased more than seasonally from March and were somewhat larger than in April last year. Prices of meat animals in April - particularly hog prices - also were somewhat higher than a year ago, and income from meat animals continued to record sharp increases over the corresponding month a year earlier. Government payments in April of \$39,000,000 were sharply lower than in March and were somewhat smaller than in April 1940.

Market prices for several of the important farm products in mid-May were higher than a month earlier and feeding prospects favor continued heavy production of livestock products. The movement of truck crops, early potatoes, and strawberries is expected to increase more than usual from April to May. With these prospects for marketings and prices, farm income should continue to make more than the usual seasonal increase in May. Income in June and July will depend to a greater extent on the size and time of marketing of the 1941 winter wheat crop. Present estimates indicate a somewhat larger crop than was harvested last year and, because of the lateness of the 1940 crop, marketings of wheat in these months are likely to be considerably larger than in 1940. Government payments are expected to be relatively small in the next 2 or 3 months or until payments on 1941 programs begin to be made in volume.

COTTON

Recent sharp gains in domestic cotton prices largely reflect speculative anticipation of higher Government loan rates on the 1941 crop although the exceptionally favorable domestic demand situation has been a contributing factor. Cotton prices advanced about 1.5 cents per pound during the past month to the highest level since July 1937, and on May 13 Middling 15/16 inch averaged 12.63 cents in the 10 markets. The price of new crop futures at New York advanced slightly more than spot cotton in the 10 markets.

Consumption of cotton during April totaled 920,000 bales, including 45,000 distributed by the Surplus Marketing Administration through its cotton mattress program. This exceeded the record March consumption by 66,000 bales and was 51 percent above April 1940. Consumption for the 9 months August to April totaled just under 7 million bales compared with slightly under 6 million

bales for the corresponding period last season. The higher level of consumption this season is due to large Government purchases of raw cotton and cotton textiles and increased private demand accompanying the higher levels of industrial production and consumer incomes. The increased number of mills working on week ends, or adding additional shifts, contributed to a higher daily consumption rate in April, resulting in a seasonally adjusted index of cotton consumption of 156 percent of the 1935-39 average, a gain of 9 points over the previous record established in March.

The cloth market was relatively quiet from the last week of March to the last week of April, with production exceeding sales. More recently the volume of sales has again risen above production. The result has been to further increase the backlog of unfilled orders which was already sufficient to insure a continuing high level of cotton consumption well into next season. Wholesale cloth prices continued their rise during April and early May, and manufacturers' gross margins on 17 constructions of unfinished cloth widened from 18.17 cents in March to 19.81 cents in April compared with 11.23 last August.

The intensification of the war, the scarcity of shipping space, and the pressure to conserve labor and power resources have in recent months occasioned the concentration and restriction of production in both the spinning and weaving sections of the British textile industry. In the near future, production may be confined to goods for (1) essential Government requirements, (2) highly selective export trade, and (3) bare minimum requirements for the civilian population.

There is apparently little reason to expect new substantial improvement in the export outlets for American cotton during the remainder of the season, since recent price advances have tended to further widen the price disparity between American cotton and foreign growths. During April 74,000 bales of cotton were exported from the United States of which 21,000 bales went to China, 19,000 to Canada and 11,000 to Japan. This makes a total of 904,000 bales during the first 9 months of this season, a reduction of 84 percent from a year ago and 81 percent from the average for the 5-year period 1935-39.

WHEAT

Domestic wheat prices are now at about the highest level in a year. The recent advance was associated with progress in Congress of legislation concerning higher loan rates on the 1941 crop. The amount that current prices are now above the export price levels is indicated by the export indemnity which would be required to export wheat to Europe. Computed on the basis of export values, this would be about 36 cents from the Gulf and 33 cents from Pacific ports, which compares with 26 and 23 cents, respectively, a month ago. Prices of domestic spring wheat at Buffalo are about 5 cents lower than those of Canadian wheat of a comparable quality, c.i.f., duty paid, at Buffalo, as compared with 13 cents a month ago.

Under the terms of the Agricultural Adjustment Act of 1938 loans can not be made on the 1941 crop unless marketing quotas are approved in the referendum to be held on May 31. During most of the marketing year for the

1940 crop, the loan program has held wheat prices at an average of about 25 cents a bushel above the competitive level which normally would have prevailed under the demand and supply conditions of this period. Recently the difference between the actual price and that which would have prevailed without any loan program has been even greater, perhaps 40 cents per bushel, as a result of the speculative anticipation of higher loan rates on the 1941 crop.

The winter wheat crop on the basis of May 1 condition is indicated by the Crop Reporting Board at 653 million bushels, which is 37 million bushels above the indication a month earlier. If the winter crop turns out about as indicated, and if spring wheat acreage should turn out to be about as indicated by prospective plantings reports, and yields per acre should be about average, the new crop would total about 850 million bushels. With a carry-over of about 400 million bushels, total supplies would approximate 1,250 million bushels. The total in 1940-41 was 1,099 million bushels, consisting of a carry-over of 282 million bushels and a crop of 817 million bushels.

Prospects at present are for a world wheat crop in 1941 about the same as in 1940. Increases are expected in Europe and Australia over last year's small outturns. On the other hand, a 25 percent reduction in spring wheat acreage is expected in Canada on the basis of intentions-to-plant reports issued May 9.

FATS, OILS, AND OILSEEDS

Strengthening factors in the price situation for fats and oils this year are increases in incomes of consumers, the high level of building activity, and the probability that imports of vegetable oilseeds and oils during the remainder of the year will be smaller than a year earlier despite the availability of abundant supplies of most kinds of imported fats and oils in surplus-producing areas. The growing scarcity of ocean shipping space has altered the general price outlook in the last several months. It now seems probable that prices of most fats and oils will average substantially higher in 1941 than in 1940, rather than moderately higher as indicated last fall.

No reliable indication of the probable production of domestic oilseeds in 1941 is yet available. However, it seems likely that prices of oilseeds in the 1941-42 marketing season will average higher than in the current season, even if output should be increased. The growing strength in domestic demand, plus the probability that imports will be reduced, will more than offset the effect on prices of any increase in domestic production that may take place this year. Normally, 10 to 15 percent of our total fat supply is imported.

A sharp advance in prices of fats and oils took place in March and April. Prices of animal fats and oils in April averaged 14 percent higher than in February. Prices of imported vegetable oils, already comparatively high, were up 19 percent, and prices of domestic vegetable oils were up 29 percent. The general price level for all groups in April was 24 percent higher than the relatively low prices of April 1940, and was slightly higher than the 1910-14 average, although it was still considerably below the 1924-29 average.

Despite rising prices, total consumption of fats and oils was 16 percent greater in the first quarter this year than last. Nearly all items shared in the increase. Notable exceptions were perilla oil and fish-liver oils, imports of which have been below average for many months. Factory production of fats and oils, as a whole, was only slightly larger in the first quarter this year than last. But stocks of primary fats and oils, which were increased considerably during the first quarter of 1940, showed little change in the first 3 months this year. And net imports of fats and oils were somewhat smaller in the first quarter this year than a year ago.

CORN AND OTHER FEED GRAINS

Indications to date suggest that the 1941 production of feed grains and forage crops may again be large relative to the number of livestock to be fed, although much depends upon growing conditions during the next few months. In practically all areas the progress in seeding and early growth of small grain crops has been better than average. On May 1 the condition of forage crops and pastures was better than a year ago throughout most of the country. The carry-over of hay on May 1 was 2 million tons larger than the 1940 carry-over. So far this season rainfall has been excessive in the western part of the Corn Belt, and has delayed corn planting, while in the eastern part of the Corn Belt rainfall has been deficient.

The price of No. 3 Yellow corn at Chicago averaged 71 cents per bushel for the week ended May 10. This was 2 cents per bushel higher than for the week ended April 11, and was the highest weekly average since October 1937. The possibility that new legislation may increase the loan rate appears to have been the primary factor influencing corn prices during the past month. Oats and barley prices declined during the last half of April, then advanced slightly in early May. Feeding ratios continued favorable for livestock feeders and producers of dairy and poultry products.

The sale of corn held by the Commodity Credit Corporation has increased in recent weeks with advancing corn prices. During April about 15 million bushels were sold, leaving about 215 million bushels under Government ownership. The quantity of corn placed under loan or redeemed during April was small, and the total quantity of corn sealed on farms remained about 300 million bushels in early May.

HOGS

The market movement of pigs from the 1940 fall crop is now under way but hog supplies may not increase much in the next month or so. In the late summer the seasonal decrease in hog marketings is expected to be fairly large. The 1940 fall pig crop was 13 percent smaller than that of a year earlier. And, if the number of sows bred for farrow this fall is increased materially as now seems likely, marketings of packing sows will be substantially smaller this summer than last. Present indications point to a reduction of about 12 to 15 percent in the total number of hogs marketed during the remainder of the 1940-41 marketing year (May-September) from the corresponding months of 1939-40.

Purchases of pork and lard by the Department of Agriculture since early April (through May 10) of about 173 million pounds - 107 million pounds of pork and 66 million pounds of lard - appear to have been an important factor supporting hog prices above the level which prevailed in March. Hog prices frequently decline from March through May. With prospects for smaller hog supplies than a year earlier, and steady to stronger consumer demand conditions during the next few months, hog prices probably will advance somewhat further during the next 3 or 4 months.

Hog prices weakened a little following the sharp advance in early April. They strengthened again in early May, however, and have continued well above the March level. The average price of all hogs at Chicago for the week ended May 10 was \$8.60, the same as a month earlier, but about \$1.00 above the March average, and nearly \$3.00 above the corresponding week of 1940. The rise in hog prices since March has been more pronounced for heavy hogs than for light hogs, reflecting Government purchases of the heavier weight cuts of pork products. In early May prices of 270-300-pound butcher hogs at Chicago were about 85 cents higher than in March, whereas 180-200-pound hogs were only 60 cents higher.

Recently prices of hogs at Western Corn Belt markets have been high relative to Chicago prices, reflecting a strong demand for shipper hogs for Pacific Coast markets. In early May prices of medium weight butcher hogs at Sioux City were only a little lower than at Chicago. A year ago, when prices were substantially lower than they are now, the spread was around 50 cents.

Hog marketings decreased slightly in April. Inspected slaughter for the month totaled 3,807,000 head, 2 percent less than in March, but 5 percent more than in April last year. In the first 4 months of 1941 (January-April) inspected hog slaughter totaled 7 percent less than a year earlier. Average weights of hogs marketed have been slightly heavier than they were last spring.

CATTLE

Total slaughter supplies of cattle and calves in 1941 are expected to be around 5 percent larger than in 1940. Much of the increase over a year earlier will be in grain-fed cattle, although marketings of cows and heifers for slaughter also may be somewhat larger than in 1940. The number of cattle on feed in the Corn Belt on April 1 was 16 percent larger than a year earlier. Marketings of grain-fed cattle ordinarily increase from early spring to late summer. Most of the increase in slaughter supplies this year over last is expected in the late summer and early fall.

Further improvement in consumer demand for meats will be a strengthening influence upon prices of all kinds of cattle during the remainder of 1941. Prices of better grades of slaughter cattle usually advance in the late summer and fall, but in view of the probable large increase in marketings of fed cattle, the rise in prices during the next few months may be less marked than it was in the last half of 1940. Prices of the lower grades of slaughter cattle and of stocker and feeder cattle may weaken seasonally or hold about steady this summer and fall. The spread between prices of feeder cattle and slaughter cattle probably will widen somewhat during the next several months.

Prices of the upper grades of slaughter cattle declined sharply during late April and early May, continuing the downward trend that has prevailed since mid-January. Prices of the lower grades have held about steady, however, and the price spread between grades is now only a little wider than it was a year earlier. The average price of good grade beef steers at Chicago for the week ended May 10 was \$10.55, compared with \$11.30 a month earlier and \$10.00 in the corresponding week of 1940.

Prices of feeder cattle have weakened somewhat since mid-April in response to the declining level of fat cattle prices. Prices continued above a year earlier, however, and for the past 2 or 3 months they have been high relative to prices of slaughter cattle. The average price of feeder steers at Kansas City in early May was \$10.15, compared with \$10.60 a month earlier and \$9.45 a year earlier.

Marketings of cattle and calves increased seasonally in April. Inspected cattle slaughter of 792,000 head during the month was 3 percent larger than in March and 2 percent larger than a year earlier. Thus far in 1941 (January-April) cattle slaughter totaled 4 percent greater than a year earlier. Inspected calf slaughter totaling 507,000 head in April was 14 percent larger than in March and 6 percent larger than in April last year. Marketings of calves increase seasonally during the spring.

LAMBS

Weather and feed conditions continued favorable for the early lamb crop during April, and the season to date has been one of the best ever experienced by early lamb producers. However, there has been considerable wet weather and early green feed has been lacking in quality. This has delayed marketings of early lambs from California and Arizona and of grass-fat yearlings from Texas, but apparently it has not interfered with the growth of early lambs. Present prospects point to a heavy market movement of lambs and yearlings from these States and other early lambing regions during the next 2 months.

Prices of slaughter lambs declined during April, but they advanced in early May despite some increase in marketings. Prices of slaughter ewes also declined in April after advancing steadily since last summer. The average price of fed woolled lambs, good and choice grade, at Chicago for the week ended May 10 was \$11.35, compared with \$10.95 a month earlier and \$10.35 a year earlier. The spread between market prices of shorn and woolled lambs has been around 50 cents wider this spring than last, reflecting the higher level of wool prices.

So far marketings of new-crop lambs have not been large. Deliveries have been made of early California lambs contracted for by midwest and eastern packers, but market receipts have been smaller than a year earlier. Prices declined in late April but advanced again in early May. The average price of good and choice grade new-crop lambs at Kansas City for the week ended May 10 was \$11.55, compared with \$11.45 a month earlier. So far this season prices of early lambs have averaged around 50 cents higher than a year earlier.

Marketings of sheep and lambs increased seasonally in April. Inspected slaughter for the month of 1,436,000 head was 2 percent greater than

in March and 6 percent more than in April last year. Slaughter of sheep and lambs under Federal inspection during the 1940-41 marketing year (May-April) totaled 17,680,000 head, about 2-1/2 percent more than in the 1939-40 season.

WOOL

Farmers now marketing their 1941 wool clips are receiving higher prices, generally, than at any time since the early months of 1929. The average price received by farmers on April 15 was 34.7 cents a pound. This was 8.6 cents higher than a year earlier and 1.5 cents higher than on April 15, 1937, the previous high for recent years. The large use of wools in army fabrics and increased demand for wool for civilian purposes are important factors in the increase in prices of domestic wools. The prospect of a record mill consumption in 1941 will be a strong supporting factor to domestic wool prices in the current marketing season.

Stocks of apparel wool reported by dealers and manufacturers and stocks of old clip wool on farms and ranches in Western States totaled 283 million pounds, grease basis, on March 29 compared with 184 million pounds a year earlier. The 1941 stocks included 85 million pounds of wool afloat to United States dealers and manufacturers. If wool afloat is excluded the stocks held in this country on March 29 totaled 198 million pounds. The carry-over (stocks) this year was somewhat larger than in most recent years but it was not large in relation to the current rate of mill consumption.

Imports of apparel wool for consumption totaled 156.6 million pounds in the first 3 months of 1941 compared with 65.8 million pounds in the same months last year. Imports in the first quarter of this year were larger than in any corresponding period of the last 20 years. South American supplies of fine wools suitable for United States purchase are clearing rapidly. With the new domestic clip now becoming available, United States imports are likely to decline in the late spring and summer. However, a considerable quantity of wool purchased by United States buyers in Australia and South America was awaiting shipment on April 1 and such wool will continue to arrive as shipping space is obtained.

With a record mill consumption of wool in prospect in 1941 imports probably will be large in the fall and winter of 1941-42. The uncertainty of shipping facilities will tend to promote early purchasing of wools in South American markets in the 1941-42 season which begins in October and November.

DAIRY PRODUCTS

On April 29 the Department of Agriculture announced that an increase of 6 to 8 percent in the rate of milk production is desired in order to take care of prospective increases in consumer demand for dairy products and to permit larger exports. It was also pointed out that a somewhat larger proportion of milk than normal should be used for the production of cheese and evaporated milk. Plans for supporting prices to encourage these ends were outlined. Since March 15 reports show that 11.1 million pounds of dry skim milk, 9.4 million pounds of cheese and 1.3 million cases of evaporated milk have been bought by the United States Department of Agriculture.

Dairy production continues unusually high. Total milk production on May 1 was 9 percent larger than a year earlier and was the highest on record for that date. Total production of the principal manufactured dairy products has also been high. Production is expected to continue at record levels unless weather conditions become unfavorable.

The into-storage movement for dairy products is now under way. On May 1 stocks of butter were almost double those of a year earlier and stocks of cheese were about 40 percent larger. The past season was a satisfactory one for storage operations and a good storage demand is in prospect.

Wholesale butter prices declined somewhat during the middle of April but have since recovered and are now higher than at any other time this year. Cheese prices have increased steadily since the first of March. Recently wholesale butter and cheese ^{cheese} have been higher than in any May since 1930. Prices are expected to be at a relatively high level during the remainder of 1941.

On a milk-equivalent basis, apparent consumption of manufactured dairy products in March was almost 9 percent larger than in March 1940 and was the largest on record for the month. Consumer expenditures for all manufactured dairy products in March were 15 percent larger than a year earlier.

POULTRY AND EGGS

The demand for baby chicks has increased as a result of the higher prices received by producers for eggs. Commercial hatchery production in April was one of the largest on record for the month. About 10 percent more eggs were set during April this year than in April 1940. On May 1 the total number of baby chicks on advance order was more than half again as large as on the same date in 1940. Part of these advance orders in some Eastern broiler-producing States may be cancelled as a result of the recent decline in prices of young chickens in that area. Nevertheless for the country as a whole it is likely that the late hatch will be much larger than in 1940. The increase in the number of chickens raised on farms in 1941 over 1940 probably will be 10 percent or more.

Total egg production appears to be about the same now as a year ago. Slightly fewer layers are on farms but the average rate of lay per hen on May 1 indicates that the output per layer is the highest on record. Current human consumption of shell eggs, however, probably is a little less than a year earlier because the quantities of eggs now being used for liquid and dried egg production and for hatching are larger than a year ago. Current purchases by the Department of Agriculture in recent weeks have been much larger than a year earlier.

Total egg production during coming months is expected to be at least as large as a year earlier, and perhaps a little larger. Prices received by farmers for eggs during the remainder of 1941, however, are expected to continue above those of a year earlier because of the larger consumer incomes and price-supporting policies of the Government. Wholesale egg prices now are about 5 cents higher than a year ago.

Supplies of poultry meat appear to be a little smaller now than at this time last year. Storage stocks are a little larger than a year ago but farm marketings have been smaller. Supplies of poultry meat in the last half of this year will be increased as a result of the larger number of chickens raised on farms this year than last. Because of the continued expansion in consumer incomes, however, chicken prices are expected to average higher than a year earlier during the remainder of 1941. The average price received by farmers for chickens in mid-April was 15.7 cents per pound compared with 12.9 cents in April 1940.

POTATOES

Marketings of new potatoes are expected to increase substantially during May over those of recent weeks as new areas come into production. These increases are seasonal in character and probably will result in no more than the usual seasonal decline in market prices.

Production of new potatoes in the second section of early States this season is indicated to total 20.9 million bushels or about 16 percent more than that of last season. Shipments from this group started with California in early April but it was early May before shipments from any of the other States began. With a number of States having large crops ready for harvest, market supplies are expected to increase materially during May and probably will be heavier than during the corresponding period a year earlier. Increased purchasing power of consumers compared with May 1940, however, is expected to offset to a large extent the effect on prices of the increased supplies this season. Market prices of new potatoes in early May were somewhat higher than a year earlier, a result of a temporary shortage of new potatoes occasioned by the small crop produced in the first section of early States.

Supplies of old stock potatoes are still plentiful, and prices weakened slightly during recent weeks. Diversions of potatoes to livestock feed totaled 1.2 million bushels during the month ending about May 3, making a total diversion for the season of 4.3 million bushels. The program inaugurated in February provided for a total diversion of 12.5 million bushels but to date growers have been reluctant to take advantage of it. In Maine about 1 million bushels of potatoes (including culls) were diverted to starch manufacture during April making a total diversion to starch of 7 million bushels for the season to May 3.

TRUCK CROPS

Production of truck crops in areas in which supplies are available for immediate marketing is indicated to be about 3 percent smaller than that of a year earlier and slightly smaller than average. This is the result of reduced yields occasioned by unfavorable weather conditions. Supplies of asparagus and snap beans are expected to be plentiful, but the indications point to relatively small spring crops of cantaloups, cucumbers, onions, green peas, peppers, tomatoes, and watermelons. It is probable, therefore, that market supplies of truck crops in general will continue to be lighter than a year earlier for at least another month.

As a result of the relatively small supplies being marketed and in prospect, market prices of most truck crops continued at relatively high levels

during recent weeks. The usual trend for this period of the year is sharply downward, but this season prices of some items advanced. Prices of asparagus, snap beans, cabbage, cauliflower, celery, cucumbers, and green peas declined during recent weeks, but those of carrots, eggplant, lettuce, onions, peppers, and tomatoes advanced. In general, prices in early May were somewhat higher than a year earlier.

Prospective acreages of truck crops for processing are all indicated to be larger than the acreages planted last season. Since most of the reports on these crops were received prior to the recent developments with respect to the food-for-defense program, it is probable that there will be further adjustments upward in the acreages actually planted. This is particularly true of tomatoes for canning, for which the program calls for an increase of about 50 percent in last year's pack.

FRUIT

Production of early and second early strawberries is estimated to total 6.8 million crates compared with 5.1 million last year. The marketing of these strawberries will be largely completed by the end of May. Production of intermediate strawberries, which are normally marketed from May 15 to June 15, is estimated to total 4.0 million crates compared with 3.5 million in 1940. Prices of Louisiana Klondikes at Chicago declined from 18 cents per pint in the week ended April 5 to 7 cents per pint in the week ended May 10. The average price in the latter week was 7 cents lower than the comparable price a year earlier. The price-effect of increased consumer purchasing power this year over last has not been great enough to offset the price-depressing effect of larger strawberry supplies.

Production of peaches in the 10 early Southern States is estimated to total 22.0 million bushels compared with 13.9 million last year. If this production materializes it would be the largest since 1931. The peach crop in California, a large portion of which is usually used for canning and drying, is likely to be 10-12 percent smaller than last year's average crop.

The latest estimate places 1940-41 orange production at 78.4 million boxes, a reduction of 3.9 million boxes from the estimate made as of March 1. In 1939-40, 75.6 million boxes of oranges were produced. The May 1 estimate of grapefruit production for 1940-41 was 7 percent higher than the estimate made a month earlier. It is now estimated to total approximately 43.0 million boxes compared with 35.2 million in 1939-40. Auction prices of California oranges in April averaged above those of a year earlier, but prices of Florida oranges, and Florida and Texas grapefruit, averaged considerably below those in the same month last year.

Cold storage holdings of apples on May 1 totaled approximately 6 million bushels. These were the largest May 1 holdings in the last 10 years, and were 2.3 million bushels greater than on May 1, 1940. Approximately 543,000 fewer bushels of apples were marketed through regular domestic trade channels in April this year than last. Prices of Washington apples in April remained above those of a year ago, but in the first 2 weeks of May they fell slightly below comparable prices in 1940.

ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUS- TRIAL PRO- DUCTION ¹	CON- STRUC- TION CON- TRACTS ¹ AWARDED	FACTORY EMPLOY- MENT ²	FAC- TORY PAY- ROLLS ²	INCOME OF IN- DUSTRIAL WORKERS ³	VOLUME OF AGRI- CULTURAL EXPORTS ⁴	WHOLE- SALE PRICES OF ALL COMMOD- ITIES ⁵	RETAIL FOOD PRICES ⁶	PRICES RE- CEIVED BY FARMERS ⁷	PRICES PAID BY FARM- ERS	RATIO OF PRICES RECEIVED TO PRICES PAID	CASH INCOME FROM FARM MAR- KETINGS ⁸
	1935-39	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1924-29
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¹Federal Reserve Board, adjusted for seasonal variation.²Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and payrolls by Bureau of Agricultural Economics). Revised January 1941.³Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised April 1941.⁴Foreign Agricultural Relations, July 1909 - June 1914 = 100, adjusted for seasonal variation.⁵Bureau of Labor Statistics, 1926 = 100, converted to 1910 - 14 = 100.⁶Bureau of Labor Statistics, 1935 - 39 = 100, converted to 1913 = 100.⁷August 1909 - July 1914 = 100.⁸Adjusted for seasonal variation.⁹Preliminary.

10. In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.

